

# FIRST REPORT

## PUBLIC ACCOUNTS COMMITTEE

(1985-86)

(EIGHTH LOK SABHA) —

### IMPORT OF TRAINER AIRCRAFT

### MINISTRY OF DEFENCE

taken on the 215th Report of the  
Accounts Committee (7th Lok Sabha)]



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LOK SABHA SECRETARIAT  
NEW DELHI

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**PUBLIC ACCOUNTS COMMITTEE**  
(1985-86)

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**Shri E. Ayyapu Reddy**

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3. Shri Amal Datta
4. Shri Ranjit Singh Gaekwad
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1. Shri N. N. Mehra—*Joint Secretary.*
2. Shri K. H. Chhaya—*Chief Financial Committee Officer.*
3. Shri R. C. Anand—*Senior Financial Committee Officer.*

## INTRODUCTION

1. The Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this 1st Report on Sabha) relating to import of a trainer aircraft. Accounts Committee contained in their 215th Report (Seventh Lok Sabha) relating to import of a trainer aircraft.

2. In their 215th Report, the Committee had dealt with the import of aircraft 'L' and associated ground equipment at a total cost of Rs. 14.61 crores. According to the Committee, the orders for imports were placed without fully exploring the possibility of meeting the increased requirements of trainer aircraft by augmenting the production of aircraft 'K' which was being indigenously manufactured by Hindustan Aeronautics Ltd., a public sector undertaking.

The Committee have concluded that the whole expenditure of Rs. 14.61 crores in foreign exchange apart from the other expenditure incurred thereon was unnecessary and could have been avoided if the IAL had been contemporaneously apprised of the enhanced requirements and if the training programme had been drawn objectively. The Committee have recommended that in future orders for import of machinery and equipment should be placed only after thoroughly exploring the possibilities of meeting such requirements indigenously.

3. The Committee have also deplored the delay in the matter of setting up of indigenous facilities for overhauling of engines and airframes of the imported trainer aircraft.

4. In regard to other recommendations of the Committee, the Committee have expressed their happiness that as desired by them, the Government have gone into their Report in detail and have either already taken the necessary steps or have brought the Committee's recommendations to the notice of all concerned for guidance/compliance in order to avoid any such lapses in future.

5. The Report was considered and adopted by the Public Accounts Committee at their sitting held on 24 June, 1985. Minutes of the sitting form PART II of the Report.

6. For facility of reference and convenience, the recommendations and conclusions of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in the Appendix to the Report.

7. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.



E. AYYAPU REDDY

Chairman,

Public Accounts Committee.

NEW DELHI;

23 July, 1965

1 Sravana, 1907 (S)

## CHAPTER I

### REPORT

1.1. This Report of the Committee deals with the action taken by Government on Committee's recommendations and observations contained in their 215th Report on Paragraph 6 of the Report of the Comptroller and Auditor General of India for the year 1981-82, Union Government (Defence Services) on Import of a trainer aircraft.

1.2. The 215th Report which was presented to Lok Sabha on 30th April, 1984 contained 15 recommendations. Action taken notes have been received in respect of all the recommendations|observations and these have been broadly categorised as follows:—

- (i) Recommendations and observations which have been accepted by Government:

Sl. Nos. 1, 2, 3, 4, 6, 7, 8, 9, 10, 11, 12 and 15.

- (ii) Recommendations and observations which the Committee do not desire to pursue in the light of the replies received from Government:

Nil

- (iii) Recommendations and observations replies to which have not been accepted by the Committee and which require reiteration:

Sl. Nos. 5, 13 and 14.

- (iv) Recommendations and observations in respect of which Government have been furnished interim replies:

Nil

1.3 The Committee will now deal with the action taken by Government on some of their recommendations.

*Import of Trainer aircraft* (Sl. Nos. 4, 5 & 8—Paras 1.81, 1.82 & 1.85)

1.4 Commenting on the import of trainer aircraft without fully utilising the indigenous sources, the Committee had in Paragraph 1.81 of their 215th Report observed as follows:

“The Committee are of the opinion that if the order for additional requirement of the trainer aircraft was placed on the HAL in 1974, it could have started meeting the entire

requirements of the Air Force from the year 1977 onwards. Had the HAL been contemporaneously apprised of the enhanced requirements, necessity for which was felt after 1971, it would have in fact been in a position to meet the enhanced requirements right from the year 1974-75. The Committee cannot but express their deep concern at the manner in which the Ministry of Defence took a decision to import trainer aircraft at a cost of more than Rs. 14 crores involving scarce foreign exchange without fully utilising the indigenous capacity available. The Committee are convinced that had the training programme drawn up realistically and indigenous capacity for manufacture of trainer aircraft been fully utilised, the need for import of trainer aircraft would not have arisen. This view is further reinforced by the fact that even later on when the utilisation rate of imported aircraft came down to 44.2 per cent because of engine bearing difficulties, the training programme was carried on by better utilisation of indigenous aircraft 'K'.

1.5 In their action taken note dated 12th December, 1984 the Ministry of Defence stated as follows:

"The observations of the Committee have been noted. The training programmes are now being formulated as objectively as possible on the basis of the requirement of pilots in the Defence Services and anticipated demands from friendly countries. The requirement of the trainer aircraft is also being worked out on the basis of the approved parameters. Orders are now placed on indigenous manufacturers for additional requirement of trainer aircraft thus fully utilising the indigenous capacity available".

1.6 In paragraph 1.82, the Committee further recommended as follows:

"While HAL was engaged in stepping up the production rate of aircraft from A number of aircraft per year to 2XA number of aircraft per year, the original delivery schedule for the years 1977-78 to 1980-81 was revised and reduced to almost half. Due to this revision in delivery schedule, the capacity of HAL for about 10 lakh manhours per year could not be utilised. The Committee view it with grave concern as due to lack of proper planning on the part of the Ministry of Defence, the surplus capacity had to remain idle for want of work during the period 1977-78 to

1979-80. In the opinion of the Committee it needs to be enquired as to why the order was not placed on HAL and instead, an order of over Rs. 14 crores was placed for import of a foreign aircraft which did not match the indigenous aircraft in performance, when the HAL were all set to meet the requirements of the Air HQrs for trainer aircraft. The explanation given by the Defence Secretary in this regard that HAL could not have met the increased demand is far from convincing".

1.7 Action Taken Note dated 12th December, 1984 furnished by the Ministry of Defence, reads as follows:

"The Order for manufacture and supply of Trainer Aircraft could not be placed on HAL in 1974 because of the followings:

- (i) HAL required a lead time of 3 to 4 years for delivery of the aircraft.
  - (ii) HAL required 3 to 4 years to duplicate jigs, procurement of materials, fabrication of detailed parts and for assembly and testing.
2. The above span of time did not match the requirement of the trainer aircraft at that particular time.
  3. The observations of the Committee have been noted. The orders for trainer aircraft are now being placed on the indigenous manufacturer to meet the future requirement of such aircraft; thus utilising the indigenous capacity available".

1.7A Commenting upon the utilisation of aircraft 'L' during the period 1976-78, the Committee had in Paragraph 1.85 of their 215th Report recommended as follows:—

"The Committee note that the proposal for import of trainer aircraft was made on the assumption that no reduction was possible in the intake of trainees. In the review conducted in February, 1975, it was observed by the Ministry of Defence that the extended contingency training plan could not be put into operation with the existing assets. Against the sanctioned strength of trainees for each of the 4 courses under the extended contingency training plan commencing during the period July 1975—January 1977, on



the basis of which import of aircraft 'L' was made, the average number of trainees inducted|trained in each of these courses fell short of the sanctioned strength by 47 per cent, 20 per cent, 39 per cent and 28 per cent respectively. Owing to shortfall in the intake of trainees and on account of abnormally high rate of wastage, utilisation of aircraft 'L' fell short of the planned rate of utilisation during the period 1976—78 by 32 to 47 per cent."

1.7B. The Action taken note dated 19th October, 1984 furnished by the Ministry of Defence reads as follows:—

"Statement of fact. No specific action is required."

1.1 In April, 1975, an agreement was entered into with the Government of Country 'X' for the purchase of a certain number of trainer aircraft 'L' and associated ground equipment at a total cost of Rs. 14.61 crores. These aircraft were delivered in India during October 1985—June 1976 and were inducted for training from November 1975 onwards. In their earlier Report the Committee had desired an enquiry as to why the order was not placed on HAL and instead, an order of over Rs. 14 crores was placed for import of a foreign aircraft which did not match the indigenous aircraft in performance. According to the Ministry of Defence, the order for manufacture and supply of trainer aircraft could not be placed on HAL in 1974 because of the following:

- (i) HAL required a lead time of 3 to 4 years for delivery of the aircraft.
- (ii) HAL required 3 to 4 years to duplicate jigs, procurement of materials, fabrication of detailed parts and for assembly and testing.

The Committee are not convinced with the aforesaid arguments. As the need for augmenting the resources in the country for imparting training to the pilots was felt immediately after the 1971 war, the Committee have no doubt that if the HAL had been contemporaneously apprised of the enhanced requirements, it would have been in a position to meet the enhanced requirements right from the year 1974-75. Further, the HAL, according to its Chairman, was in a position to increase production by 20 per cent a year within a relatively short-time without any substantial addition to plant and machinery. Moreover, owing to shortfall in the intake of trainees, and on account of abnormally high rate of wastage, utilisation of the imported aircraft 'L' fell short of the planned rate of

utilisation during the period 1976—78 by 32 to 47 per cent. The Committee consider that the whole expenditure of Rs. 14.61 crores in foreign exchange apart from the other expenditure incurred thereon was unnecessary and could have been avoided. The Committee recommend that in future orders for import of machinery and equipment should be placed only after thoroughly exploring all the possibilities of meeting such requirements indigenously. The Committee also stress that sufficient advance notice should be given to HAL in respect of the orders placed on them so as to enable them to make the supplies in time.

*Indigenous facilities for overhauling of engines and airframes of the imported trainer aircraft (Serial Nos. 13 & 14—Paras 1.90 & 1.91).*

1.9 Commenting upon the failure of the Defence authorities to establish indigenous facilities for overhauling of engines and airframes of the imported trainer aircraft as envisaged in the agreement, the Committee had in paragraphs 1.90 and 1.91 of their 215th Report; recommended as follows:—

“Another disquieting feature of the contract is failure on the part of the Defence authorities to establish indigenous facilities for overhauling of engines and airframes of the imported trainer aircraft although it was envisaged in the Agreement that full assistance would be provided by the suppliers to establish overhaul facilities in India. In the absence of indigenous overhauling facilities, the engines and airframes of these aircraft are still being got overhauled from abroad involving huge expenditure in foreign exchange, apart from the fact that these engines and the airframes remain out of use for considerable periods. Upto June, 1983 an expenditure of U.S. \$3831800 or (in rupees 3,73,60,050) has been incurred on the overhauling of engines and airframes of aircraft ‘L’ from abroad which the Committee feel is an avoidable drain on the scarce foreign exchange resources of the country.

According to the Ministry of Defence, the indigenous overhaul facilities could not be created due to uncertainty regarding long term utilisation of these aircraft and the uncertainty whether the operation of these aircraft would stabilise due to the bearing failure experienced in the year 1977-78. The Committee do not see force in this

argument as the Defence authorities have now themselves realised, although belatedly, the need for establishing these facilities indigenously and the matter is stated to be under examination. The Committee recommend that the examination of the matter should be expedited so that at least now the outgo of foreign exchange could be avoided".

1.10 The action taken note dated 12th December, 1984 furnished by the Ministry of Defence reads as follows:

"The observations of the Committee in regard to establishing indigenous facilities for overhaul of engines and airframes of the imported trainer aircraft have been noted.

2. An Indian Team had visited country 'X' during the period 18th June to 5th July, 1984 to study the techno economic viability of setting up the overhaul facilities in India. The team had submitted its report to Air HQs, Government of India in August-September 1984. The case is being examined in detail in consultation with the agencies concerned. It is expected that the decision in the matter would be taken very soon."

1.11 In their earlier Report the Committee had expressed their deep concern on the failure of the Defence authorities to establish indigenous facilities for overhauling of engines and airframes of the imported trainer aircraft although it was envisaged in the Agreement that full assistance would be provided by the suppliers to establish these facilities. In the absence of these facilities an expenditure of US \$ 3831800 or (in rupees 3,73,60,050) had to be incurred upto June 1988, on the overhauling of engines and airframes of aircraft 'L' from abroad, which the Committee felt was an avoidable drain on the foreign exchange resources of the country. The Committee were then informed by the Defence authorities that they were examining the need for establishing these facilities indigenously. The Committee had recommended that the examination of the matter should be expedited with a view to avoid the further outgo of foreign exchange.

1.12 It is a matter of deep concern that although more than a year has elapsed since the presentation of the Committee's 215th Report on 30.4.1984, no decision has yet been taken to establish indigenous overhaul facilities. The Committee point out that the Government have failed to take a decision inspite of the fact that an Indian Team which visited country 'X' during the period 18th June to 5th July

1984 to study the techno economic viability of setting up the over-haul facilities had submitted its Report in August-September 1984. The Committee are unhappy over the delay on the part of the Ministry of Defence in important matters, particularly when it relates to the outgo of foreign exchange. The Committee further find that the trainer aircraft imported in 1975-76 have already outlived about half of their useful life and by the time the proposed overhauling facilities become operational, the aircraft might have exhausted their major useful life span. While recommending the need for very early decision in the matter, the Committee desire that the residual useful life span of these aircraft should also be kept in view. The Committee would like to be apprised of the decision taken in the matter and further action taken thereon.

*Judicious utilisation of funds and capacity of HAL (Sl. Nos. 6, 7, 9, 11, 12 and 15—Paras 1.83, 1.85, 1.86, 1.88, 1.89 and 1.92)*

1.13 Emphasizing the need for optimal utilisation of the capacity of HAL, the Committee had in paragraph 1.83 of their 215th report recommended as follows:

"The Committee have also been informed that even at present HAL are loaded with excessive idle capacity. The Committee strongly recommend that capacity of the HAL, which has been developed over the years with huge public investments for meeting the requirements of Air Force for different aircraft should be utilised optimally."

1.14 The action taken note dated 15th January, 1985 furnished by the Ministry of Defence reads as follows:

"The recommendation of Committee that the capacity of the Hindustan Aeronautics Ltd. which had been developed over the years with huge public investments for meeting the requirements of Air Force for different aircraft should be utilised optimally has been noted. Hindustan Aeronautics Ltd. draws up its production programme based on the order book position to ensure that the capacity is put to optimal use. Hindustan Aeronautics Ltd. is constantly examining the effective utilisation of the various capacities established during the years."

1.15 In paragraph 1.84 of their 215 Report, the Committee had observed as follows:

"The Committee note that before a decision on the import of the trainer aircraft was taken, the Air Force team had

evaluated in May-June, 1974, aircraft 'L' and 'M' manufactured by countries 'X' and 'Y' respectively. This team in its Report had stated that while aircraft 'M' excelled in certain areas of performance aircraft 'L' was technologically outdated by 10 years and was neither designed for nor had experienced intensive operations in tropical conditions. The Committee are surprised that in spite of such an adverse report about aircraft 'L' the authorities decided to go in for it. According to the Defence Secretary, their decision to import aircraft 'L' was based on the facts that 'it was half the price compared to the other one; maintenance was 1/5th cheaper and delivery was in April, 1975'. The Committee are not convinced with this argument particularly in view of the fact that the utilisation of these aircraft had been far from satisfactory and its suitability for the tropical conditions of this country has not been established."

1.16 In their action taken note dated 12th December, 1984 the Ministry of Defence have stated as follows:

"The observations of the Committee have been brought to the notice of all concerned for guidance."

1.17 Emphasizing the need for revision of estimation norms and parameters, the Committee had in paragraph 1.86 of their 215th Report recommended as follows:

"It has been stated by the Ministry of Defence that the trainer intake figures forecast for the period July, 1975 to January, 1977 were based on the actual wastage rates of the immediate past as noted in August, 1974. However, the actual wastage rates for the courses in 1976 and 1977 happened to be more than planned, a fact which could not be foreseen in 1975 when the decision for import was taken. The Committee are not convinced with this argument for, as they observe, even during the year 1978 when the wastage rate of trainees was much less than that in 1974, there was considerable shortfall in utilisation of aircraft 'L'. The Committee would like to express their concern at the lack of realistic estimation parameters in working out their requisite details which had first led to the import of aircraft 'L' and later on to its gross under-utilisation. The Committee recommend that the

Ministry of Defence should revise their estimation norms and parameters so that in future such details can be worked out more realistically."

1.18 Action taken note dated 12th December, 1984 furnished by the Ministry of Defence reads as follows:

"The observations of the Committee have been noted. Accordingly, the estimation norms and parameters for working out the requirement of the current as well as future aircraft have been reviewed and revised in the light of the experience gained over the years."

1.19 Deprecating the lack of concern for public funds on the part of the Ministry of Defence, the Committee had in paragraph 1.88 of their 215th Report observed as follows:

"According to the Suppliers, the only cause of the bearing failures of the engines was the use of lubricant 'N' of a particular batch of production which contained some unidentified additives. But it was claimed by the Ministry of Defence that the engine bearing failures were attributable to the suppliers, as the same oil was repeatedly tested both in India and country 'X' and it was found to be fully conforming to the recommended specifications. For tropicalisation and maintenance support of aircraft 'L' in India, the suppliers had, *inter alia* guaranteed that 'in respect of possible defects occurring due to utilisation of the aircraft under tropical conditions in India, necessary remedial measures would be taken by the suppliers to rectify such defects replace the necessary components at their own cost including transportation costs to and from country 'X' if necessary." It is surprising that in spite of the aforesaid categorical guarantee, the Ministry of Defence agreed to pay a sum of Rs. 8 lakhs to the supplier for removal of bearing defects in the engines in addition to incurring an extra expenditure of Rs. 57.23 lakhs on transportation and other expenses to and from between India and country 'X'. In the opinion of the Committee, it was wrong on the part of the Ministry of Defence to have incurred the aforesaid expenditure of Rs. 65.23 lakhs, as according to the guarantee given by the suppliers, it was obviously their responsibility to meet this expenditure. The Committee deprecate this lack of concern for public funds on the part of the Ministry of Defence."

1.20 In the action taken note dated 29th November, 1984, the Ministry of Defence have stated as follows:—

“The observations of the Committee have been brought to the notice of all concerned for guidance/compliance in order to avoid any such lapses in future.”

1.21 Highlighting the lack of proper planning on the part of the Defence authorities, the Committee had in paragraph 1.89 of their 215th Report recommended as follows:

“The Committee note that alongwith the main agreement of April, 1975, entered into with the Government of country ‘X’ for the purchase of aircraft ‘L’, another contract for purchase of spares, test equipment and training aids (Rs. 1.74 crores) was concluded with them. This included an option clause for the purchase of certain armaments and ammunition costing Rs. 42.40 lakhs and test equipment costing Rs. 7.43 lakhs which was to be exercised not later than 15th August, 1975. The Committee are deeply concerned to note that the Air Headquarters failed to exercise the requisite option before the stipulated date and a separate contract was concluded with the suppliers in May 1977 for the procurement of these armaments and ammunition, which had resulted in extra expenditure of Rs. 1.64 lakhs. Due to this failure on the part of the Air Headquarters, the receipt of these stores was delayed upto October—December 1979. The Committee do not agree with the plea of non-availability of funds for not exercising the option in time. According to the Committee, as the cost of the stores, viz. Rs. 50 lakhs was just a small part of the main contract for Rs. 14.61 crores, there should not have been any difficulty for arranging the necessary funds for these imports. Owing to this lapse on the part of Defence authorities, the trainees of the earlier batches could not be imparted training in the vital field of armaments and the training had to be imparted to them in subsequent years. In the view of the Committee, this is yet another instance of lack of proper planning on the part of the Defence authorities.”

1.22 Action taken note dated 29th November, 1984, furnished by the Ministry of Defence reads as follows:

“The observations of the Committee have been brought to the notice of all concerned for guidance/compliance in order

to avoid any such lapses in future and ensuring proper advance planning." . . .

1.23 Emphasizing the need for detailed examination of the whole matter, the Committee had in paragraph 1.92 of their 215 Report recommended as follows:—

"The facts narrated above abundantly prove that the whole expenditure of Rs. 14.61 crores in foreign exchange apart from the other expenditure incurred thereon was unnecessary and could have been avoided. There appears to be a growing tendency on the part of Defence authorities to go in for imports even when the demand can be met from indigenous sources. This, to say the least, is very disturbing. The fact, that Parliament is so generous in granting funds for defence needs casts an additional responsibility on the Defence authorities to act with caution particularly when a proposal involved outgo of scarce foreign exchange. The Committee recommend that the whole matter should be examined in detail with a view to identifying the draw backs in the system which allowed a variety of lapses to occur and to take necessary steps for obviating such lapses in future. The Committee would like to be apprised of the action taken in this regard within six month."

1.24 Action taken note dated 15th January, 1985 furnished by the Ministry of Defence reads as follows:—

"The Government have gone into the report of the Committee in detail. Accordingly, the training programmes for the pupils of the Defence Services are now being formulated as objectively as possible on the basis of the requirement of pilots in the Defence Services and anticipated demands from friendly countries. The requirement of the trainer aircraft is also being worked out on the basis of the revised approved parameters. The requirement of the current as well as future aircraft have been reviewed and revised on the basis of the revised norms and parameters in the light of the experience gained over the years. The observations of the Committee regarding proper utilisation of the public funds have been brought to the notice of all concerned for guidance/compliance. The Committee had deprecated the lack of proper planning on the part of Defence authorities which too have also been brought to



the notice of all concerned for guidance|compliance in order to avoid any such lapses in future and ensuring proper advance planning. It has been emphasised on all concerned that all out efforts should be made to go in for indigenous equipment and the tendency to go in for imports should be strictly curbed.

The observations of the Committee in regard to establishing indigenous facilities for overhaul of engines and air frames of the imported trainer aircraft have been noted. Accordingly, an Indian Team had been deputed to visit country 'X' to study the techno-economic viability of setting up the overhaul facilities in India. The team had submitted its report in August—September, 1984 which is being examined in detail in consultation with the agencies concerned. The decision when arrived at would be intimated to all concerned."

1.25 In their earlier Report, the Committee had highlighted numerous drawbacks and shortcomings which were established during the course of examination by them of a case of import of a trainer aircraft. Some of the important observations|recommendations made by the Committee are as follows:

- “(i) Capacity of the HAL, which has been developed over the years with huge public investments for meeting the requirements of Air Force for different aircraft should be utilised optimally.
- (ii) Utilisation of aircraft 'L' imported at a cost of Rs. 14.61 crores had been far from satisfactory and its suitability for the tropical conditions of this country has not been established.
- (iii) Lack of realistic estimation parameters in working out the requisite details which had first led to the import of aircraft 'L' and later on to its gross under-utilisation.

It was emphasized on the Ministry of Defence to revise their estimation norms and parameters so that in future such details can be worked out more realistically.

- (iv) It was wrong on the part of the Ministry of Defence to have incurred an expenditure of Rs. 65.23 lakhs on removal of bearing defects in the engines and transportation expenses as according to the guarantee given by the suppliers it was obviously their responsibility to meet this

expenditure. Deprecated the lack of proper concern for public funds on the part of the Ministry of Defence.

- (v) Failure of the Air Headquarter to exercise option for the purchase of certain armaments and ammunition before the stipulated date and conclusion of a separate contract with the suppliers, resulting in extra expenditure of Rs. 1.64 lakhs. Lack of proper planning on the part of the Defence authorities.
- (vi) Growing tendency on the part of Defence authorities to go in for imports even when the demand can be met from indigenous sources."

1.26 The Committee are glad that as desired by them the Government have gone into their report in detail. Some of the steps already taken by the Ministry of Defence in pursuance of their aforesaid recommendations are as follows:—

- “(i) Hindustan Aeronautics is continuously examining the effective utilisation of the various capacities established during the years.
- (ii) The training programmes for the trainees of the Defence Services are now being formulated as objectively as possible on the basis of the requirements of pilots in the Defence Services and anticipated demands.
- (iii) The requirements of the current as well as future aircraft have been reviewed and revised on the basis of the revised norms and parameters.
- (iv) It has been emphasized on all concerned that all out efforts should be made to go in for indigenous equipment and the tendency to go in for imports should be strictly curbed.”

The other recommendations of the Committee have been brought to the notice of all concerned for guidance/compliance in order to avoid any such lapses in future and ensuring proper advance planning. The Committee trust that the implementation of the various instructions issued by the Ministry of Defence in pursuance of their recommendations would be watched by them so that these instructions are conscientiously followed both in letter and spirit with a view to ensure prudent and judicious utilisation of funds so generously granted to them by Parliament.

## **CHAPTER II**

### **RECOMMENDATIONS AND OSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT**

#### **Recommendation**

Till 1974, advance training to fighter pilots was being imparted on aircraft 'G', 'H' and 'K'. Aircraft 'G' was proposed to be phased out by December 1974 and aircraft 'H' was not expected to be maintained beyond June 1975. In March 1974, a long term pilot training plan was prepared for the years 1977—86 with reference to indigenously manufactured aircraft 'K'. Simultaneously, for the interim period 1975 to 1977, the Air Headquarters had formulated an extended contingency training plan for the courses commencing during this period. This training programme was drawn up as after the 1971 war it was considered necessary that there should be a long term programme for mobilising the pilot training resources of the country so that at no time the country was found deficient in this field.

[Sl. No. 1 (Para 1.78) of appendix to 215th Report of the Public Accounts Committee (7th Lok Sabha)]

#### **Action taken**

Statement of fact. No specific action is required.

2. DADS has seen.

[Ministry of Defence O.M. No. 56/8/82/D (Air-I) Vol. IV  
Dated 19-10-84]

#### **Recommendation**

In July, 1974, it was felt that to implement this training plan the existing assets of aircraft 'K' together with the deliveries anticipated at \*A number of aircraft per year and with a maximum utilisation rate of 30 hours per aircraft per month, would be deficient of the requirement by 41 per cent in 1975, 29 per cent in 1976 and 40 per cent in 1977. Accordingly, an agreement was entered into in April,

1975 with the Government of country 'X' for the purchase of a certain number of aircraft 'L' and associated ground equipment at a total cost of Rs. 14.61 crores.

[Sl. No. 2 (Para 1.79) of appendix to 215th Report of the Public Accounts Committee (7th Lok Sabha)]

#### **Action taken**

Statement of fact. No specific action is required.

2. DADS has seen.

[Ministry of Defence O.M. No. 56/8/82/D (Air-I) Vol. IV  
Dated 19-10-84]

#### **Recommendation**

The Committee are surprised that orders for the import of aircraft 'L' were placed without fully exploring the possibility of meeting the increased requirements of trainer aircraft by augmenting the production of aircraft 'K' which was being indigenously manufactured by Hindustan Aeronautics Ltd., a public sector undertaking. The design and development work of aircraft 'K' was undertaken by HAL in 1960 and the first aircraft flew in Sept., 1964. Though the production level was low during the earlier years from 1967-68 to 1972-73 due to teething trouble and complexity and magnitude of the project, the average annual production rate of a number of aircraft was maintained during the period from 1973-74 to 1976-77. According to the Chairman of the HAL, the undertaking would have taken a period of three years for increasing its production capacity from A number to 2 XA number of aircraft a year with an additional investment of only about 50 lakhs.

Further, the HAL, according to its Chairman, was in a position to increase production by 30 per cent a year within a relatively short-time without any substantial addition to plan and machinery. From a note furnished by the Ministry of Defence, the Committee find that "HAL was prepared to take up the production but the order was not placed on it" and further 'Had such notice (lead time of 3 years) been given to HAL the additional production could have been increased to 2 XA number of aircraft from 1974-75.

[Sl. No. 3 (Para 1.80) of appendix to 215th Report of the Public Accounts Committee (7th Lok Sabha)]

#### **Action taken**

Govt. Air Force Plan to meet the future trainer aircraft requirement for initial training through indigenous sources. A Long Term

Training Plan for Pilots (1987—91) is under consideration based on availability of indigenous trainer aircraft.

2. DADS has seen.

[Ministry of Defence O.M. No. 56/8/82/D (Air-I)

Dated 19-10-84]

### Recommendation

The Committee are of the opinion that if the order for additional requirement of the trainer aircraft was placed on the HAL in 1974, it could have started meeting the entire requirements of the Air Force from the year 1977 onwards. Had the HAL been contemporaneously apprised of the enhanced requirements, necessity for which was felt after 1971, it would have in fact been in a position to meet the enhanced requirements right from the year 1974-75. The Committee cannot but express their deep concern at the manner in which the Ministry of Defence took a decision to import trainer aircraft at a cost of more than Rs. 14 crores involving scarce foreign exchange without fully utilising the indigenous capacity available. The Committee are convinced that had the training programme drawn up realistically and indigenous capacity for manufacture of trainer aircraft been fully utilised, the need for import of trainer aircraft would not have arisen. This view is further reinforced by the fact that even later on when the utilisation rate of imported aircraft came down to 44.2 per cent because of engine bearing difficulties, the training programme was carried on by better utilisation of indigenous aircraft 'K'.

[Sl. No. 4 (Para 1.81) of appendix to 215th Report of the Public Accounts Committee (7th Lok Sabha)]

### Action taken

The observations of the Committee have been noted. The training programmes are now being formulated as objectively as possible on the basis of the requirement of pilots in the Defence Services and anticipated demands from friendly countries. The requirement of the trainer aircraft is also being worked out on the basis of the approved parameters. Orders are now placed on indigenous manufacturers for additional requirement of trainer aircraft thus fully utilising the indigenous capacity available.

2. DADS has seen.

[Ministry of Defence O.M. No. 56/8/82/D (Air-I)

Dated 18th Dec. 1984]

### Recommendation

The Committee have also been informed that even at present HAL are laden with excessive idle capacity. The Committee strongly recommend that capacity of the HAL, which has been developed over the years with huge public investments for meeting the requirements of Air Force for different aircraft should be utilised optimally.

[Sl. No. 6 (Para No. 1.83) of appendix to 215th Report of the Public Accounts Committee (7th Lok Sabha)]

### Action taken

The recommendation of Committee that the capacity of the Hindustan Aeronautics Ltd. which had been developed over the years with huge public investments for meeting the requirements of Air Force for different aircraft should be utilised optimally has been noted. Hindustan Aeronautics Ltd. draws up its production programme based on the order book position to ensure that the capacity is put to optimal use. Hindustan Aeronautics Ltd. is constantly examining the effective utilisation of the various capacities established during the years.

2. DADS has seen.

[Ministry of Defence O.M. No. 56/8/82/D (Air-I)  
Dated 15th Jan. 1985]

### Recommendation

The Committee note that before a decision on the import of the trainer aircraft was taken, the Air Force team had evaluated in May-June 1974, aircraft 'L' and 'M' manufactured by countries 'X' and 'Y' respectively. This team in its Report had stated that while aircraft 'M' excelled in certain areas of performance aircraft 'L' was technologically outdated by 10 years and was neither designed for nor had experienced intensive operations in tropical conditions. The Committee are surprised that in spite of such an adverse report about aircraft 'L' the authorities decided to go in for it. According to the Defence Secretary, their decision to import aircraft 'L' was based on the facts that "it was half the price compared to the other one; maintenance was 15th cheaper and delivery was in April, 1975." The Committee are not convinced with this argument particularly in view of the fact that the utilisation of these aircraft had been far from satisfactory and its

suitability for the tropical conditions of this country has not been established.

[Sl. No. 7 (Para 1.84) of appendix to 215th Report of the Public Accounts Committee (7th Lok Sabha)].

### Action Taken

The observations of the Committee have been brought to the notice of all concerned for guidance (copy enclosed) (Annexure),

2. DADS has seen.

[Ministry of Defence O.M. No. 56/8|82|D (Air-I) dated 17th December 1984.]

### ANNEXURE

Tele: 370231/486

19 Oct. 84

Air HQ|18701|88|Trg.

### DIRECTORATE OF TRAINING

#### *215th Report of the PAC (1984) Import of Trainer Aircraft*

1. Enclosed please find extract of para 1.84 of Appendix to 215th Report of the Public Accounts Committee (1984).\*

2. THE DCAS desires that the Concerned Directorates under you be made aware of the observations contained in the para and

#### \*Conclusions and Recommendation of the Committee

The Committee note that before a decision of the import of the trainer aircraft was taken, the Air Force team evaluated in the May-June 1974, aircraft 'L' and 'M' manufactured by countries 'X' and 'Y' respectively. This team in its report had stated that while aircraft 'M' excelled in certain areas of performance aircraft 'L' was technologically outdated by 10 years and was neither designed for nor had experienced intensive operations in tropical conditions. The Committee are surprised that in spite of such an adverse report about aircraft 'L' the authorities decided to go in for it. According to the Defence Secretary, their decision to import aircraft 'L' was based on the facts that "it was half the price compared to the other one; maintenance was 1/5th cheaper and delivery was in April, 1975. The Committee are not convinced with this argument particularly in view of the fact that the utilisation of these aircraft had been far from satisfactory and its suitability for the tropical conditions of this country has not been established.

Sl. No. 7 (Para 1.84) of the appendix to the 215th Report of the PAC 1983-84 (7th Lok Sabha).

suitable instructions may be issued to ensure compliance of the recommendations of the Committee.

Sd/-  
(P. SINGH)  
AVM ..  
DTrg

Encl: *As stated*  
ACAS (*Plans*)  
ACAS (*Ops*)  
ACAS (*Eng*)  
ACAS (*Systems*)

### **Recommendation**

The Committee note that the proposal for import of trainer aircraft was made on the assumption that no reduction was possible in the intake of trainees. In the review conducted in February, 1975, it was observed by the Ministry of Defence that the extended contingency training plan could not be put into operation with the existing assets. Against the sanctioned strength of trainees for each of the 4 courses under the extended contingency training plan commencing during the period July-1975—January 1977, on the basis of which import of aircraft 'L' was made, the average number of trainees inducted/trained in each of these courses fell short of the sanctioned strength by 47 per cent, 20 per cent, 39 per cent and 28 per cent respectively. Owing to shortfall in the intake of trainees and on account of abnormally high rate of wastage, utilisation of aircraft 'L' fell short of the planned rate of utilisation during the period 1976-78 by 32 to 47 per cent.

[Sl. No. 8 (Para 1.85) of appendix to 215th Report of the Public Accounts Committee (7th Lok Sabha)].

### **Action taken**

Statement of fact. No specific action is required.

2. DADS has seen.

[Ministry of Defence O.M. No. 56/8/82/D (Air-I) Dated 19-10-84]

### **Recommendation**

1.86. It has been stated by the Ministry of Defence that the trainer intake figures forecast for the period July, 1975 to January, 1977 were based on the actual wastage rates of the immediate past



as noted in August, 1974. However, the actual wastage rates for the courses in 1976 and 1977 happened to be more than planned, a fact which could not be foreseen in 1975 when the decision for import was taken. The Committee are not convinced with this argument for, as they observe, even during the year 1978 when the wastage rate of trainees was much less than that in 1974, there was considerable shortfall in utilisation of aircraft 'L'. The Committee would like to express their concern at the lack of realistic estimation parameters in working out the requisite details which had first led to the import of aircraft 'L' and later on to its gross under-utilisation. The Committee recommend that the Ministry of Defence should revise their estimation norms and parameters so that in future such details can be worked out more realistically.

[Sl. No. 9 (Para 1.86) of Appendix to 215th Report of the Public Accounts Committee (7th Lok Sabha)].

#### **Action taken**

The observations of the Committee have been noted. Accordingly, the estimation norms and parameters for working out the requirement of the current as well as future aircraft have been reviewed and revised in the light of the experience gained over the years.

2. DADS has seen.

[Ministry of Defence O.M. No. 56/8/82/D (Air-I) dated 12th December 1984.]

#### **Recommendation**

The Committee note, that the engines of aircraft 'L' developed engine bearing failures prematurely which resulted in bringing down the serviceability of the aircraft just to 44.2 per cent of the fleet in the year 1978. During the succeeding years also the serviceability of these aircraft was unsatisfactory due to poor product support and inadequate supply of lubricant 'O'. According to Audit Para, the number of aircraft that could be sustained operationally since 1975 was about 50 per cent of the assets held. But according to the Defence Secretary the serviceability of these aircraft was 69 per cent in 1979, 63.3 per cent in 1980, 76.2 per cent in 1981 and 64.57 per cent in 1982.

[Sl. No. 10 (para 1.87) of appendix to 215th Report of the Public Accounts Committee (7th Lok Sabha)]

#### **Action taken**

Statement of fact. No specific action is required.

2. DADS has seen.

[Ministry of Defence O.M. No. 56|8|82|D (Air-I) Dated 19-10-84]

### Recommendation

According to the suppliers, the only cause of the bearing failures of the engines was the use of lubricant 'N' of a particular batch of production which contained some unidentified additives. But it was claimed by the Ministry of Defence that the engine bearing failures were attributable to the suppliers, as the same oil was repeatedly tested both in India and country 'X' and it was found to be fully conforming to the recommended specifications. For tropicalisation and maintenance support of aircraft 'L' in India, the suppliers had, inter alia, guaranteed that "in respect of possible defects occurring due to utilisation of the aircraft under tropical conditions in India, necessary remedial measures would be taken by the suppliers to rectify such defects|replace the necessary components at their own cost including transportation costs to and from country 'X' if necessary." It is surprising that in spite of the aforesaid categorical guarantee, the Ministry of Defence agreed to pay a sum of Rs. 8 lakhs to the supplier for removal of bearing defects in the engines in addition to incurring an extra expenditure of Rs. 57.23 lakhs on transportation and other expenses to and from between India and country 'X'. In the opinion of the Committee, it was wrong on the part of the Ministry of Defence to have incurred the aforesaid expenditure of Rs. 65.23 lakhs, as according to the guarantee given by the suppliers, it was obviously their responsibility to meet this expenditure. The Committee deprecate this lack of concern for public funds on the part of the Ministry of Defence.

[Sl. No. 11 (Para 1.88) of appendix to 215th Report of the Public Accounts Committee (7th Lok Sabha)]

### Action Taken

The observations of the Committee have been brought to the notice of all concerned for guidance|compliance in order to avoid any such lapses in future (copy enclosed) (Annexure).

2. DADS has seen.

[Ministry of Defence O.M. No. 56|8|82|D (Air-I) dated  
29th November, 1984]

## ANNEXURE

Copy of M of D.I.D. No. 11(1)/84/D (Budget) dated 11th Oct. 1984 regarding Action Taken Note on para 1.88 of the 215th Report of Public Accounts Committee 1983-84 (7th Lok Sabha relating to Import of a trainer aircraft.

The observation|recommendations made by the Public Accounts Committee, Seventh Lok Sabha, 1983-84 in para 1.88 of their 215th Report presented in the Parliament on 30th April, 1984, regarding Import of a trainer aircraft are as under:—

*Para 1.88 Defence:* According to the suppliers, the only cause of the bearing failures of the engines was the use of lubricant 'N' of a particular batch of production which contained some unidentified additives. But it was claimed by the Ministry of Defence that the engine bearing failures were attributable to the suppliers, as the same oil was repeatedly tested both in India and country 'X' and it was found to be fully conforming to the recommended specifications. For tropicalisation and maintenance support of aircraft 'L' in India, the suppliers had, *inter alia*, guaranteed that "In respect of possible defects occurring due to utilisation of the aircraft under tropical conditions in India, necessary remedial measures would be taken by the suppliers to rectify such defects|replace the necessary components at their own cost including transportation costs to and from country 'X', if necessary." It is surprising that in spite of the aforesaid categorical guarantee, the Ministry of Defence agreed to pay a sum of Rs. 8 lakhs to the supplier for removal of bearing defects in the engines in addition to incurring an extra expenditure of Rs. 57.23 lakhs on transportation and other expenses to and from between India and country 'X'. In the opinion of the Committee, it was wrong on the part of the Ministry of Defence to have incurred the aforesaid expenditure of Rs. 65.23 lakhs, as according to the guarantee given by the suppliers, it was obviously their responsibility to meet this expenditure. The Committee deprecate this lack of concern for public funds on the part of the Ministry of Defence.

2. The above mentioned observations|recommendations of the PAC may please be noted for guidance|compliance in order to avoid any such lapses in future.

### Recommendation

The Committee note that alongwith the main agreement of April, 1975, entered into with the Government of country 'X' for the purchase of aircraft 'L', another contract for purchase of spares test equipment and training aids (Rs. 1.74 crores) was concluded

with them. This included an option clause for the purchase of certain armaments and ammunition costing Rs. 42.40 lakhs and test equipment costing Rs. 7.43 lakhs which was to be exercised not later than 15th August, 1975. The Committee are deeply concerned to note that the Air Headquarters failed to exercise the requisite option before the stipulated date and a separate contract was concluded with the suppliers in May 1977 for the procurement of these armaments and ammunition, which had resulted in extra expenditure of Rs. 1.64 lakhs. Due to this failure on the part of the Air Headquarters, the receipt of these stores was delayed upto October-December 1979. The Committee do not agree with the plea of non-availability of funds for not exercising the option in time. According to the Committee, as the cost of the stores, viz. Rs. 50 lakhs was just a small part of the main contract for Rs. 14.61 crores, there should not have been any difficulty for arranging the necessary funds for these imports. Owing to this lapse on the part of Defence authorities, the trainees of the earlier batches could not be imparted training in the vital field of armaments and the training had to be imparted to them in subsequent years. In the view of the Committee, this is yet another instance of lack of proper planning on the part of the Defence authorities.

[Sl. No. 12 (Para 1.89) of appendix to 215th Report of the Public Accounts Committee (7th Lok Sabha)]

#### **Action taken**

The observations of the Committee have been brought to the notice of all concerned for guidance/compliance in order to avoid any such lapses in future and ensuring proper advance planning. (Copy enclosed) (Annexure).

2. DADS has seen.

[Ministry of Defence O.M. No. 56/8/82/D (Air. I) dated 29th November, 1984]

#### **ANNEXURE**

Copy of M of D.I.D. No. 11(12)/84/D (Budget) dated 17th September, 1984 regarding Action Taken note on para 1.89 of the 215th Report of Public Accounts Committee 1983-84 (7th Lok Sabha) relating to Import of a trainer aircraft.

The observations/recommendations made by the Public Accounts Committee, Seventh Lok Sabha, 1983-84, in para 1.89 of their 215th Report, presented in the Parliament on 30th April, 1984, regarding Import of a trainer aircraft are as under:—

**Para 1.89** The Committee note that alongwith the main agreement of April, 1975, entered into with the Government of country 'X' for the purchase of aircraft 'L', another contract for purchase of spares test equipment and training aids (Rs. 1.74 crores) was concluded with them. This included an option clause for the purchase of certain armaments and ammunition costing Rs. 42.40 lakhs and test equipment costing Rs. 7.43 lakhs which was to be exercised not later than 15th August, 1975. The Committee are deeply concerned to note that the Air Headquarters failed to exercise the requisite option before the stipulated date and a separate contract was concluded with the suppliers in May, 1977 for the procurement of these armaments and ammunition, which had resulted in extra expenditure of Rs. 1.64 lakhs. Due to this failure on the part of the Air Headquarters, the receipt of these stores was delayed upto October-December 1979. The Committee do not agree with the plea of non-availability of funds for not exercising the option in time. According to the Committee, as the cost of the stores, viz Rs. 50 lakhs was just a small part of the main contract for Rs. 14.61 crores, there should not have been any difficulty for arranging the necessary funds for these imports. Owing to this lapse on the part of Defence authorities, the trainees of the earlier batches could not be imparted training in the vital field of armaments and the training had to be imparted to them in subsequent years. In the view of the Committee, this is yet another instance of lack of proper planning on the part of the Defence authorities.

2. The above mentioned observations|recommendations of the PAC may please be noted for guidance|compliance in order to avoid any such lapses in future and ensuring proper advance planning.

### **Recommendation**

The facts narrated above abundantly prove that the whole expenditure of Rs. 14.61 crores in foreign exchange apart from the other expenditure incurred thereon was unnecessary and could have been avoided. There appears to be a growing tendency on the part of Defence authorities to go in for imports even when the demand can be met from indigenous sources. This, to say the least, is very disturbing. The fact that Parliament is so generous in granting funds for defence needs casts an additional responsibility on the Defence authorities to act with caution particularly when a proposal involves outgo of scarce foreign exchange. The Committee recommend that the whole matter should be examined in detail with a view to identifying the drawbacks in the system which allowed a variety of lapses to

occur and to take necessary steps for obviating such lapses in future. The Committee would like to be apprised of the action taken in this regard within six months.

[Sl. No 15 (Para 1.92) of appendix to 215th Report of the Public Accounts Committee (7th Lok Sabha)]

### **Action taken**

The Government have gone into the report of the Committee in detail. Accordingly, the training programmes for the pupils of the Defence Services are now being formulated as objectively as possible on the basis of the requirement of pilots in the Defence Services and anticipated demands from friendly countries. The requirement of the trainer aircraft is also being worked out on the basis of the revised approved parameters. The requirement of the current as well as future aircraft have been reviewed and revised on the basis of the revised norms and parameters in the light of the experience gained over the years. The observations of the Committee regarding proper utilisation of the public funds have been brought to the notice of all concerned for guidance/compliance (Copy enclosed) (Annexure). The Committee had deprecated the lack of proper planning on the part of Defence authorities which too have also been brought to the notice of all concerned for guidance/compliance in order to avoid any such lapses in future and ensuring proper advance planning. It has been emphasised on all concerned that all out efforts should be made to go in for indigenous equipment and the tendency to go in for imports should be strictly curbed.

2. The observations of the Committee in regard to establishing indigenous facilities for overhaul of engines and airframes of the imported trainer aircraft have been noted. Accordingly, an Indian Team had been deputed to visit country 'X' to study the techno-economic viability of setting up the overhaul facilities in India. The team had submitted its report in August-September, 1984 which is being examined in detail in consultation with the agencies concerned. The decision when arrived at would be intimated to all concerned.

3. DADS has seen.

[Ministry of Defence O.M. No. 58/8/82/D (Air. I) dated  
15th Jan. 1975]

## ANNEXURE

Copy of M of D I.D. No. 11 (12) |84|D (Budget) dated 11th Oct. 1984 regarding Action Taken Note on the 215th Report of Public Accounts Committee 1983-84 (7th Lok Sabha) relating to import of a trainer aircraft

The observations/recommendations made by the Public Accounts Committee, Seventh Lok Sabha, 1983-84 in para 1.88 of their 215th Report presented in the Parliament on 30th April, 1984, regarding Import of a trainer aircraft are as under:—

*Para 1.88 Defence*

According to the suppliers, the only cause of the bearing failures of the engines was the use of lubricant 'N' of a particular batch of production which contained some identified additives. But it was claimed by the Ministry of Defence that the engine bearing failures were attributable to the suppliers, as the same oil was repeatedly tested both in India and country 'X' and it was found to be fully conforming to the recommended specifications. For tropicalisation and maintenance support of aircraft 'L' in India, the suppliers had, *inter alia*, guaranteed that "In respect of possible defects occurring due to utilisation of the aircraft under tropical conditions in India, necessary remedial measures would be taken by the suppliers to rectify such defects/replace the necessary components at their own cost including transportation costs to and from country 'X', if necessary." It is surprising that in spite of the aforesaid categorical guarantee, the Ministry of Defence agreed to pay a sum of Rs. 8 lakhs to the supplier for removal of bearing defects in the engines in addition to incurring an extra expenditure of Rs. 57.23 lakhs on transportation and other expenses to and from between India and country 'X' in the opinion of the Committee, it was wrong on the part of the Ministry of Defence to have incurred the aforesaid expenditure of Rs. 65.23 lakhs, as according to the guarantee given by the suppliers, it was obviously their responsibility to meet this expenditure. The Committee deprecate this lack of concern for public funds on the part of the Ministry of Defence.

2. The above mentioned observations/recommendations of the PAC may please be noted for guidance/compliance in order to avoid any such lapses in future.

### CHAPTER III

RECOMMENDATIONS AND OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES RECEIVED FROM GOVERNMENT

— Nil —



## CHAPTER IV

### RECOMMENDATIONS AND OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

#### Recommendation

While HAL was engaged in stepping up the production rate of aircraft from A number of aircraft per year to 2XA number of aircraft per year, the original delivery schedule for the years 1977-78 to 1980-81 was revised and reduce to almost half. Due to this revision in delivery schedule, the capacity of HAL for about 10 lakh manhours per year could not be utilised. The Committee view it with grave concern as due to lack of proper planning on the part of the Ministry of Defence, the surplus capacity had to remain idle for want of work during the period 1977-78 to 1979-80. In the opinion of the Committee it needs to be enquired as to why the order was not placed on HAL and instead, an order of over Rs. 14 crores was placed for import of a foreign aircraft which did not match the indigenous aircraft in performance, when the HAL were all set to meet the requirements of the Air Hqrs for trainer aircraft. The explanation given by the Defence Secretary in this regard that HAL could not have met the increased demand is far from convincing.

[Sl. No. 5 (Para 1.82) of appendix to 215th Report of the Public Accounts Committee (7th Lok Sabha).]

#### Action Taken

The Order for manufacture and supply of Trainer Aircraft could not be placed on HAL in 1974 because of the followings:—

- (i) HAL required a lead time of 3 to 4 years for delivery of the aircraft.
- (ii) HAL required 3 to 4 years to duplicate jigs, procurement of materials, fabrication of detailed parts and for assembly and testing.

2. The above span of time did not match the requirement of the trainer aircraft at that particular time.

3. The observations of the Committee have been noted. The orders for trainer aircraft are now being placed on the indigenous

manufacturer to meet the future requirement of such aircraft; thus utilising the indigenous capacity available.

4. DADS has seen.

[Ministry of Defence O.M. No. 56/8/82/D(Air. I) dated 12th December, 1984]

### **Recommendation**

1.90. Another disquieting feature of the contract is failure in the part of the Defence authorities to establish indigenous facilities for overhauling of engines and airframes of the imported trainer aircraft although it was envisaged in the Agreement that full assistance would be provided by the suppliers to establish overhaul facilities in India. In the absence of indigenous overhauling facilities, the engines and airframes of these aircraft are still being got overhauled from abroad involving huge expenditure in foreign exchange apart from the fact that these engines and the airframes remain out of use for considerable periods. Upto June, 1983 an expenditure of U.S. \$ 3831800 or (in rupees 3,73,60,050/-) has been incurred on the overhauling of engines and airframes of aircraft 'L' from abroad which the Committee feel is an avoidable drain on the scarce foreign exchange resources of the country.

1.91. According to the Ministry of Defence, the indigenous overhaul facilities could not be created due to uncertainty regarding long term utilisation of these aircraft and the uncertainty whether the operation of these aircraft would stabilise due to the bearing failure experienced in the year 1977-78. The Committee do not see force in this argument as the Defence authorities have now themselves realised, although belatedly, the need for establishing these facilities indigenously and the matter is stated to be under examination. The Committee recommended that the examination of the matter should be expedited so that at least now the outgo of foreign exchange could be avoided.

[S] Nos. 13 & 14 (Paras 1.90 & 1.91) of appendix to 215th Report of the Public Accounts Committee (7th Lok Sabha)]

### **Action Taken**

The observations of the Committee in regard to establishing indigenous facilities for overhaul of engines and airframes of the imported trainer aircraft have been noted.

2. An Indian Team had visited country 'X' during the period 18th June to 5th July, 1984 to study the techno-economic viability of setting up the overhaul facilities in India. The team had submitted its report to Air HQ/Government of India in August-September 1984. The case is being examined in detail in consultation with the agencies concerned. It is expected that the decision in the matter would be taken very soon.

3. DADS has seen.


[Ministry of Defence O.M. No. 56|8|82|D (Air-I) dated 12th Dec. 1984.]

## CHAPTER V

### RECOMMENDATIONS AND OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

— NIL —

NEW DELHI:  
23 July, 1985  
\Sravana, 1907 (S)

  
E. AYYAPU REDDY,  
*Chairman*  
*Public Accounts Committee.*

## APPENDIX

### Conclusions and Recommendations

Sl. No.	Para No.	Ministry Concerned	Conclusion Recommendation
1	2	3	4

#### Defence

In April, 1975, an agreement was entered into with the Government of country 'X' for the purchase of a certain number of trainer aircraft 'L' and associated ground equipment at a total cost of Rs. 14.61 crores. These aircraft were delivered in India during October 1975—June 1976 and were inducted for training from November 1975 onwards. In their earlier Report the Committee had desired an enquiry as to why the order was not placed on HAL and instead, an order of over Rs. 14 crores was placed for import of a foreign aircraft which did not match the indigenous aircraft in performance. According to the Ministry of Defence, the order for manufacture and supply of trainer aircraft could not be placed on HAL in 1974 because of the following:

- (i) HAL required a lead time of 3 to 4 years for delivery of the aircraft.
- (ii) HAL required 3 to 4 years to duplicate jigs, procurement of materials, fabrication of detailed parts and for assembly and testing.

The Committee are not convinced with the aforesaid arguments. As the need for augmenting the resources in the country for imparting

training to the pilots was felt immediately after the 1971 war, the Committee have no doubt that if the HAL had been contemporaneously apprised of the enhanced requirements, it would have been in a position to meet the enhanced requirements right from the year 1974-75. Further, the HAL, according to its Chairman, was in a position to increase production by 20 per cent a year within a relatively short-time without any substantial addition to plant and machinery. Moreover, owing to shortfall in the intake of trainees and on account of abnormally high rate of wastage, utilisation of the imported aircraft 'L' fell short of the planned rate of utilisation during the period 1976-78 by 32 to 47 per cent. The Committee consider that the whole expenditure of Rs. 14.61 crores in foreign exchange apart from the other expenditure incurred thereon was unnecessary and could have been avoided. The Committee recommend that in future orders for import of machinery and equipment should be placed only after thoroughly exploring all the possibilities of meeting such requirements indigenously. The Committee also stress that sufficient advance notice should be given to HAL in respect of the orders placed on them so as to enable them to make the supplies in time.

## Defence

1.11

In their earlier Report the Committee had expressed their deep concern on the failure of the Defence authorities to establish indigenous facilities for overhauling of engines and airframes of the imported trainer aircraft although it was envisaged in the Agreement that full assistance would be provided by the suppliers to establish these facilities. In the absence of these facilities an expenditure of US \$ 38,31,800 or (in rupees 3,73,60,050) had to be incurred upto June 1983 on the

overhauling of engines and airframes of aircraft 'L' from abroad, which the Committee felt was an avoidable drain on the foreign exchange resources of the country. The Committee were then informed by the Defence authorities that they were examining the need for establishing these facilities indigenously. The Committee had recommended that the examination of the matter should be expedited with a view to avoid the further outgo of foreign exchange.

#### Defence

It is a matter of deep concern that although more than a year has elapsed since the presentation of the Committee's 215th Report on 30-4-1984, no decision has yet been taken to establish indigenous overhaul facilities. The Committee point out that the Government have failed to take a decision in spite of the fact that an Indian Team which visited country 'X' during the period 18th June to 5th July, 1984 to study the techno-economic viability of setting up the overhaul facilities had submitted its Report in August-September, 1984. The Committee are unhappy over the delay on the part of the Ministry of Defence in important matters, particularly when it relates to the outgo of foreign exchange. The Committee further find that the trainer aircraft imported in 1975-76 have already outlived about half of their useful life and by the time the proposed overhauling facilities become operational, the aircraft might have exhausted their major useful life span. While recommending the need for very early decision in the matter, the Committee desire that the residual useful life span of these aircraft should also be kept in view. The Committee would like to be apprised of the decision taken in the matter and further action taken thereon.

In their earlier Report, the Committee had highlighted numerous drawbacks and shortcomings which were established during the course of examination by them of a case of import of a trainer aircraft. Some of the important observations/recommendations made by the Committee are as follows:

- (i) Capacity of the HAL, which has been developed over the years with huge public investments for meeting the requirements of Air Force for different aircraft should be utilised optimally.
- (ii) Utilisation of aircraft 'L' imported at a cost of Rs. 14.61 crores had been far from satisfactory and its suitability for the tropical conditions of this country has not been established.

- (iii) Lack of realistic estimation parameters in working out the requisite details which had first led to the import of aircraft 'L' and later on to its gross under-utilisation.

It was emphasized on the Ministry of Defence to revise their estimation norms and parameters so that in future such details can be worked out more realistically.

- (iv) It was wrong on the part of the Ministry of Defence to have incurred an expenditure of Rs. 65.23 lakhs on removal of bearing defects in the engines and transportation expenses as according to the guarantee given by the suppliers it was obviously their responsibility to meet this ex-



penditure. Deprecated the lack of proper concern for public funds on the part of the Ministry of Defence.

- (v) Failure of the Air Headquarter to exercise option for the purchase of certain armaments and ammunition before the stipulated date and conclusion of a separate contract with the suppliers, resulting in extra expenditure of Rs. 1.64 lakhs. Lack of proper planning on the part of the Defence authorities.
- (vi) Growing tendency on the part of Defence authorities to go in for imports even when the demand can be met from indigenous sources."

## Defence

3 1.26

The Committee are glad that as desired by them the Government have gone into their report in detail. Some of the steps already taken by the Ministry of Defence in pursuance of their aforesaid recommendations are as follows:—

- "(i) Hindustan Aeronautics is continuously examining the effective utilisation of the various capacities established during the years.
- (ii) The training programmes for the trainees of the Defence Services are now being formulated as objectively as possible on the basis of the requirements of pilots in the Defence Services and anticipated demands.
- (iii) The requirements of the current as well as future air-

craft have been reviewed and revised on the basis of the revised norms and parameters.

- (iv) It has been emphasized on all concerned that all out efforts should be made to go in for indigenous equipment and the tendency to go in for imports should be strictly curbed."

The other recommendations of the Committee have been brought to the notice of all concerned for guidance/compliance in order to avoid any such lapses in future and ensuring proper advance planning. The Committee trust that the implementation of the various instructions issued by the Ministry of Defence in pursuance of their recommendations would be watched by them so that these instructions are conscientiously followed both in letter and spirit with a view to ensure prudent and judicious utilisation of funds so generously granted to them by Parliament.

## PART II

### MINUTES OF THE SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON 24TH JUNE, 1985 (FORENOON)

The Committee sat from 11.00 hrs. 12.15 hrs.

#### PRESENT

Shri E. Ayyapu Reddy—*Chairman*

2. Shri Amal Datta
3. Shri Ranjit Singh Gackwad
4. Shrimati Prabhawati Gupta
5. Shri G. Devaraya Naik
6. Shri Raj Mangal Pandey
7. Shri H. M. Patel
8. Shrimati Jayanti Patnaik
9. Shri Simon Tigga
10. Shri Girdhari Lal Vyas
11. Shrimati Amarjit Kaur
12. Shri Nirmal Chatterjee
13. Shri Raman and Yadav

#### REPRESENTATIVES OF THE OFFICE OF C & AG

1. Shri P.C. Asthana—*ADAI (Railways)*
2. Shri. T.M. George—*ADAI (Report Central)*
3. Shri S. Satyamoorthy—*Joint Director (R.C.)*
4. Shri P.N. Mishra—*Joint Director (Railways)*
5. Shri M. Parthasharthy—*DADS, New Delhi*
6. Shri C.V. Srinivasan—*DADS, (Air Force & Navy)*
7. Shri B.S. Gill—*JDA, DS (B/o DADS, New Delhi)*

#### SECRETARIAT

1. Shri K. H. Chhaya—*Chief Financial Committee Officer*
2. Shri R.C. Anand—*Senior Financial Committee Officer*
3. Shri Krishnapal Singh—*Senior Financial Committee Officer*

\* \* \* \* \*

4. The Committee then considered and adopted the Draft Report on action taken by Government on the recommendations contained in 215th Report of the Public Accounts Committee.

(7th Lok Sabha) relating to Import of a Trainer Aircraft, with certain modifications/amendments as shown in \*Annexure II.

5. The Committee also approved the modifications/amendments suggested by Audit as a result of factual verification of the aforesaid Reports.

*The Committee then adjourned.*

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\*Annexure I not printed.

## ANNEXURE II

AMENDMENTS/MODIFICATIONS MADE BY THE PUBLIC ACCOUNTS COMMITTEE  
AT THEIR SITTING HELD ON 24 JUNE, 1985 IN THE DRAFT REPORT ON  
ACTION TAKEN ON THE 215TH REPORT OF PUBLIC ACCOUNTS COMMITTEE  
(7TH LOK SABHA) RELATING TO IMPORT OF A TRAINER AIRCRAFT.

Page	Para	Line	For	Read
7	1.8	13-14	are of the firm opinion	consider
7	1.8	17	Delete 'strongly'	
7	1.8	21	Add the following at the end : "The Committee also stress that sufficient advance notice should be given to HAL in respect of the orders placed on them so as to enable them to make the supplies in time."	
10	1.12	4-6	"the decision on the proposal for establishing indigenous overhaul facilities is still lingering on."	"no decision has yet been taken to establish indige- nous overhaul facilities"
10	1.12	6	Delete "regret to"	
11	1.12	1	failed	have failed
11	1.12	7	"The Committee view with concern the lack of serious- ness"	"The Committee are unhappy over the delay"
18	1.25	18	gross	gross
19	1.26	23	hope	trust

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